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Message Text

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PAGE 01 RIO DE 03610 141723Z
ACTION ARA-14

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02 OPIC-03
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07
CEA-01 ABF-01 /094 W
----------089514 150237Z /64
R 141542Z AUG 78
FM AMCONSUL RIO DE JANEIRO
TO SECSTATE WASHDC 6576
INFO AMEMBASSY BRASILIA
AMCONSUL SAO PAULO

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E.O. 11652: N/A
TAGS: EFIN, BR
SUBJECT: EXCHANGE RATE CHANGE

REF: BRASILIA 6139

1. EFFECTIVE AUGUST 14, THE CENTRAL BANK'S CRUZEIRO-DOLLAR EXCHANGE RATES ARE 18.585 BUYING AND 18.685 SELLING. THE NEW RATES REPRESENT THE FOLLOWING DEPRECIATION OF THE CRUZEIRO IN RELATION TO THE DOLLAR: 1.5 PERCENT SINCE THE LAST MODIFICATION; 16.5 PERCENT CUMULATIVE IN CY 1978; 28.3 PERCENT CUMULATIVE IN THE LAST 12 MONTHS. THIS WAS THE TENTH MINI-DEVALUATION IN 1978 AND IT OCCURRED AFTER AN INTERVAL OF 20 DAYS.

2. COMMENT - AS A RESULT OF THIS MOST RECENT EXCHANGE RATE CHANGE, THE CUMULATIVE ANNUAL RATE OF DEPRECIATION OF THE CRUZEIRO-DOLLAR EXCHANGE RATE INCREASED FROM THE 26-27 PERCENT RANGE MAINTAINED IN RECENT MONTHS. THE GOB HAS BEEN RELUCTANT TO ACCELERATE THE OFFICIAL DEPRECIATION BECAUSE OF THE IMPLIED ADVERSE IMPACT ON THE
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PRICES OF IMPORTED GOODS AND THUS ON THE OVERALL RATE OF INFLATION. SATISFACTORY GROWTH OF MANUFACTURED EXPORTS (IN EXCESS OF 30 PERCENT THROUGH JUNE) AND DECLINE OF THE DOLLAR IN RELATION TO OTHER SELECTED CONVERTIBLE CURRENCIES PERMITTED THE AUTHORITIES TO LET THE GAP BETWEEN ANNUAL RATES OF OFFICAL DEPRECIATION AND INFLATION TO REACH 10 PERCENTAGE POINTS. HOWEVER, THE ANNUAL

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RATE OF INFLATION HAS INCREASED RECENTLY (DUE IN PART
TO THE SHARP DECLINE IN INFLATION IN JUNE-AUGUST 1977)
AND THE PREMIUM REPRESENTED BY THE PARALLEL MARKET
EXCHANGE RATE ROSE MARGINALLY TO ABOUT 20 PERCENT DURING
THE WEEK OF AUGUST 7-11. IT APPEARS THAT THE AUTHORI-
TIES HAVE RESPONDED TO THESE DEVELOPMENTS BY ACCELERAT-
ING SOMEWHAT THE PACE OF EXCHANGE RATE DEPRECIATION.
DEXTER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN EXCHANGE RATES, DEVALUATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 14 aug 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Review Content Flags:
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Review Event:
Review Exemptions: n/a
Review Media Identifier:
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Secure: OPEN
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TAGS: EFIN, BR
To: STATE
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/2eed0d64-c288-dd11-92da-001cc4696bcc
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